

## **Montana Department of Commerce** **Primary Sector Workforce Training Grant Program** **(MCA 39-11)**

**History:** - The 59<sup>th</sup> Montana Legislature passed House Bill 270 (HB 270), a workforce-training act created to provide funding to meet the training needs of employees working in expanding primary sector industries in Montana. Governor Schweitzer signed HB 270 into law on April 28, 2005.

**Decision Making** - A seven-member Statutory Grant Review Committee (MCA 39-11-201), consisting of both public and private members, makes the actual grant award decisions.

**Funding** - During the current biennium, a total of \$2.8 million was appropriated for Workforce Training Grants. The Department of Commerce is requesting a total of \$8 million in the upcoming biennium for Workforce Training Grants.

### **Business Eligibility -**

- Primary sector business
- Create **at least 10 new jobs** in Montana;
- Pay trainees **at least the average wage for the area (state or county -- whichever is lowest). Benefits may be included** - (current \$14.03 per hour)
- **Have a need for education or training** for the new employees; and
- **Demonstrate that the business expansion is financially feasible.**

### **Grant Award Ceiling and Thresholds**

- The maximum grant award is **\$5,000 for each new job.**
- Business must create **at least 10 new jobs.**

### **Match Requirements**

- **\$1 for every \$3 awarded.**

### **Eligible Costs**

- All necessary and incidental costs of providing workforce training and education directed to the new jobs are eligible for a grant.

### **Applications for funding must include**

- Business Plan, Financial Statements for three previous years, Projections for two coming years, Hiring and Training Plan

### **Clawback**

- Company is required to sign a contract specifying terms of the grant and repayment requirements should the company fail to maintain the jobs, wage levels or training specified in the grant application.

### **Reporting**

- Required **six-month progress reports** to the Department until the goals contained in the plan have been achieved. **Payment occurs only after documenting the creation of eligible jobs, the hiring for those jobs, and after incurring eligible training expenses.**

## **PROJECTS FUNDED DURING 2007 BIENNIUM**

**A cost/benefit analysis conducted by the Department of Commerce shows that each project funded is expected to repay the State of Montana in new tax revenues within 3 years and in most cases, around two years. An analysis of the Fort Peck Tribes project was not performed since tax revenue is uncertain given Tribal sovereignty.**

- **PrintingForLess.com, Livingston**, was awarded \$125,000 to add and train 25 employees. PrintingForLess is an Internet printing business and has been called one of the fastest growing companies in the US today. The company's training curriculum is based upon high standard customer service and comprehensive software training that covers all customer software and real world printing knowledge.
- **Integrated Solutions, Wolf Point**, was awarded \$150,000 to add and train 30 employees. Integrated Solutions is new business wholly owned by the Fort Peck Tribes. Integrated tests software for a Microsoft affiliate. Current company training includes programming and software maintenance.
- **AvMax Group, Inc., Great Falls**, opened a new heavy maintenance and repair facility for regional aircraft (30 – 90 seats) at the Great Falls International Airport on April and was awarded \$205,000 to hire and train 41 new workers. AvMax will actually hire and train almost 100 new employees over the course of its first year in business in Great Falls. AvMax is owned by Aviation Services Company of Calgary, Alberta. Regional airlines, primarily in North America, are AvMax's potential customers. AvMax has already partnered with the Great Falls Workforce Services Center for recruitment. Training curricula will be based upon aviation regulatory requirement standards.
- **DirecTV, Missoula**, was awarded \$1,590,000 to hire and train 318 employees at its new facility in Missoula County. Total employment for the operation is expected to reach 950. This facility is its first call center in Montana. Ground was broken in December, 2005. DirecTV provides digital television via satellite. New employees receive a new hire orientation, on-the-job training, handling "mainbank volume" calls training and advanced technical training. Team leaders and support staff will also be trained.
- **Elkhorn Treatment Center, Boulder**, (a division of Boyd Andrew Community Services, Helena) was awarded \$75,000 to hire and train fifteen (15) new employees. 31 new employees are expected to be hired. Ground was broken for the new methamphetamine treatment facility for female offenders in June. Elkhorn will accept its first offenders for treatment in January, 2007. BACS also operates the Helena Prerelease Center for male offenders. Treatment will be based upon the Therapeutic Community Model which is a structured curriculum and living environment that promotes life changes and the skills to support a drug-free environment in outside society.
- **Summit Aeronautics, Helena**, was awarded \$200,000 to hire and train forty (40) new employees at its Helena Regional Airport facility. Summit is adding 30,000 square feet to its 75,000 foot facility. Summit has/had numerous manufacturing contracts with Boeing, Lockheed Martin, Bell Helicopter, Sikorsky, Vought Aircraft Systems and Kawasaki Heavy Industries. Summit produces a number of machined parts and/or tools for high-end use in aeronautics industry. Primary products have been tools and parts for F22 fighter jets.

**The companies funded by this biennium's resources are projected to train 577 Montanans while creating in excess of 1,000 new jobs. The State of Montana funding of \$2.8 million for projects and administration are estimated to leverage approximately \$56 Million in new investment in Montana.**

**PRIMARY SECTOR WORKFORCE TRAINING GRANT PROGRAM**  
**(MCA 39-11)**

**SUMMARY SHEET FOR COST BENEFIT ANALYSIS**

Company	Commerce\$\$	Other Funds	Compensation	TAXES PER YEAR			TOTAL TAXES
				STATE TAXES	TAXES		
				Individual	Corporate	County	
DirecTV	\$2,865,000	\$18,197,000	\$58,902,945	\$2,540,074	\$286,335	\$300,000	\$3,126,409
Elkhorn Treatment*	\$75,000	\$5,484,337	\$4,445,292	\$184,128	\$ -	\$12,000	\$196,128
PrintingForLess.com	\$125,000	\$6,461,092	\$5,041,952	\$200,165	\$21,870	\$75,000	\$297,035
Avmax	\$205,000	\$2,588,425	\$8,788,683	\$348,911	\$17,000	\$166,401	\$532,312
Summit**	\$400,000	\$21,858,678	\$6,670,428	\$264,816	\$ 110,000		\$374,816
<b>TOTAL</b>	<b>\$3,670,000</b>			<b>\$3,538,094</b>	<b>\$435,205</b>	<b>\$553,401</b>	<b>\$4,526,700</b>

**NOTE:** The total amount of taxes would be received once the projects become operational and fully staffed.

Elkhorn Treatment\* = As a nonprofit, Elkhorn Treatment Center is exempt from corporate and property taxes.  
Summitt\*\* = Due to confidentiality issues, state and county taxes are reported as a lump sum.

**AVMAX: BENEFITS TO MONTANA**

Once the AvMax Heavy Maintenance Repair and Avionics Operations center is completed and fully staffed at 98 workers, another 55 jobs will be supported due to its operation. All of these jobs include benefits. In addition, an estimated 44 jobs were needed to complete the renovation of the World War II hangar.

During the renovation phase, over \$1 million was potentially paid out as employee compensation. The potential individual income taxes paid would total over \$41,000. Once the Maintenance Center becomes operational and fully staffed, nearly \$8 million in salaries will be paid. Potential annual individual income taxes paid would total nearly \$308,000

Phase	Employees	Compensation	Income Taxes
Construction	44	\$1,035,815	\$ 41,122
Operation	98 + 55	\$7,752,868	\$307,789
<b>TOTAL</b>	<b>197</b>	<b>\$8,788,683</b>	<b>\$348,911</b>

In total, the Montana Department of Commerce provided AvMax with \$205,000 in training assistance through the Worker Training Grant program. In addition to the individual incomes taxes the State of Montana will receive, an estimated \$17,000 will be paid in corporate

income taxes. AvMax will be paying the Great Falls International Airport Authority over \$160,000 in annual lease payments for 20 years as well. Cascade County will be receiving nearly \$3,000 in property taxes.

Montana's investment of nearly \$205,000 to the international air transportation support company will be recovered by the time the Maintenance center has been in operation for a year.

	Year 1	Year 2	Year 3
Assistance	(\$205,000)		
Construction		\$41,122	
Operation			
- Income tax			\$307,789
- Corporate taxes			\$17,000
- GFIAA*			\$163,655
- Cascade County			\$2,746
TOTAL	(\$205,000)	\$41,122	\$491,193

\*Great Falls International Airport Authority

### **DIRECTV: BENEFITS TO MONTANA**

Once the DirecTV call center is completed and fully staffed at 950 workers, another 522 jobs will be supported due to its operation. All of these jobs include benefits. In addition, 323 jobs were needed during the construction of the building. Finally, up to 46 jobs could be supported by the training money alone provided by the Department of Commerce Workforce Training Grant program.

During the construction phase, over \$8 million was potentially paid out as employee compensation. The potential individual income taxes paid would total over \$330,000. Once the Call Center becomes operational and fully staffed, nearly \$51 million in salaries will be paid. Potential annual individual income taxes paid would total over \$2.2 million.

Phase	Employees	Compensation	Income Taxes
Construction	323	\$8,321,010	\$330,344
Operation	950 + 522	\$50,581,935	\$2,209,730
TOTAL	1,795	\$58,902,945	\$2,540,074

In total, the Montana Department of Commerce provided DirecTV with \$2,865,000 in assistance. Of that total, \$1,955,000 came from the Worker Training Grant program. Four hundred thousand dollars was provided by the Community Development Block Grant – Economic Development program and \$460,000 from the Big Sky Economic Development Trust Fund.

The Board of Investments also provided a loan for the amount of \$9,600,000. The cost to the State of this loan amount is the difference between what the \$9.6 million would have earned if it stayed invested in the Trust Funds Bond Pool versus how much in interest will be paid on the loan. This difference is \$586,530 over the life of the 25 year loan.

Besides individual income taxes, the State of Montana will receive over \$286,000 in potential corporate income taxes from DirecTV. Missoula County will receive the approximately \$200,000 annual beneficial use tax and \$100,000 annual business equipment tax. The interest differential for the loan totals over \$30,000 for the first two years of the loan.

Montana's investment of nearly \$3 million to the satellite company plus the interest differential of the Board of Investment loan of \$9,600,000 will be recovered in the third year once the Call Center is fully operational.

	Year 1	Year 2	Year 3	Year 4
Assistance	(\$860,000)	(\$977,500)	(\$977,500)	
Interest Differential		(\$33,514)	(\$33,298)	(\$33,034)
Construction				
- Income taxes	\$330,344			
Operation				
- Income taxes		\$2,209,730	\$2,209,730	\$2,209,730
- Corporate taxes		\$ 286,335	\$ 286,335	\$ 286,335
- County taxes		\$ 300,000	\$ 300,000	\$ 300,000
TOTAL	(\$529,656)	\$1,785,053	\$1,785,270	\$2,763,031

### **ELKHORN TREATMENT CENTER: BENEFITS TO MONTANA**

Once the Elkhorn Treatment Center is completed and fully staffed at 31 workers, another 21 jobs will be supported due to its operation. All jobs at the Treatment Center include benefits. In addition, 99 jobs were supported during the construction of the building.

During the construction phase, nearly \$2.4 million was potentially paid out as employee compensation. The potential individual income taxes paid would total slightly over \$95,000. Once the treatment center becomes operational and fully staffed, over \$2.6 million in salaries will be paid. Potential annual individual income taxes paid would total over \$103,000

Phase	Employees	Compensation	Income Taxes
Construction	99	\$2,393,535	\$95,023
Operation	31 + 19	\$2,051,757	\$89,105
TOTAL	149	\$4,445,292	\$184,128

The Montana Department of Commerce provided Elkhorn Treatment Center with \$75,000 in assistance from the Worker Training Grant program. Jefferson County will receive \$12,000 annually in payments in lieu of taxes from the Treatment Center.

The State's investment towards worker training will be recovered in individual income taxes as soon as the center becomes operational.

	Year 1	Year 2	Year 3
Assistance	(\$75,000)		
Construction - income taxes		\$95,023	
Operation - Income tax - County tax			\$89,105 \$12,000
TOTAL	(\$75,000)	\$95,023	\$101,108

#### **SUMMIT AERONAUTICS GROUP: BENEFITS TO MONTANA**

Once the Summit Aeronautics Group expansion is completed and fully staffed at 40 workers, another 74 jobs will be supported due to its operation. All of these jobs include benefits. In addition, 64 construction jobs were needed to complete 50,000 square feet expansion to its current plant located at the Helena Airport.

During the expansion phase, over \$1.5 million was potentially paid out as employee compensation. The potential individual income taxes paid would total over \$60,000. Once the expansion is completed and the new staff added, over \$5 million in salaries will be paid. Potential annual individual income taxes paid would total nearly \$205,000

Phase	Employees	Compensation	Income Taxes
Construction	64	\$1,512,792	\$ 60,058
Operation	40 + 74	\$5,157,636	\$204,758
TOTAL	178	\$6,670,428	\$264,816

In total, the Montana Department of Commerce provided Summit with \$400,000 in assistance. Of that total, \$200,000 came from the Worker Training Grant program. Two hundred thousand dollars was provided by the Big Sky Economic Development Trust Fund.

Besides individual income taxes, the State of Montana and Lewis and Clark County will receive over nearly \$110,000 in other taxes from Summit<sup>1</sup>.

<sup>1</sup> Due to confidentiality issues, individual state and county taxes are not reported.

- Corporate Taxes			\$21,870
- County Taxes			\$75,000
TOTAL	(\$125,000)	\$112,270	\$184,768

**INTEGRATED SOLUTIONS :** **Note:** An analysis of **Integrated Solutions** was not performed since this is a Tribally owned enterprise and taxes paid were not determined.

Integrated Solutions is a new Montana company that was started in October, 2005 that is wholly owned by the Fort Peck Tribes. Integrated Solutions' offices are located in downtown Wolf Point.

Integrated has a contract with Avanade, a Microsoft affiliate, to perform software testing for the Medicaid program. The value of the first Avanade contract is \$292,500. Thirty (30) jobs are expected to be created.

Montana's investment of \$400,000 to aerospace manufacturing company will be recovered by the time the new expansion has been in operation for slightly two years.

	Year 1	Year 2	Year 3
Assistance	(\$400,000)		
Construction		\$60,058	
Operation			
- Income tax			\$204,758
- Other Taxes			\$110,000
TOTAL	(\$400,000)	\$60,058	\$314,761

### **PRINTING-FOR-LESS: BENEFITS TO MONTANA**

Now that PrintingForLess.com's new building is completed, additional hiring of staff is continuing. Once the additional 25 staff members are hired, another 26 jobs will be supported, which includes training personnel. All of the PrintingForLess.com jobs include benefits. In addition, 120 jobs were needed during the construction of the building.

During the construction phase, nearly \$3 million was potentially paid out as employee compensation. The potential individual income taxes paid would total over \$112,000. Once the company is fully staffed, over \$2.2 million in additional salaries will be paid. Potential new annual individual income taxes paid would total close to \$90,000.

Phase	Employees	Compensation	Income Taxes
Construction	120	\$2,827,961	\$112,270
Operation	25 + 26	\$2,213,991	\$87,895
TOTAL	171	\$5,041,952	\$200,165

In total, the Montana Department of Commerce provided PrintingForLess.com with \$125,000 in assistance from the Worker Training Grant program.

Besides individual income taxes, the State of Montana will receive in new corporate taxes about \$22,000 from PrintingForLess.com. Park County will receive the approximately \$90,000 in taxes from the new building instead of the \$15,000 from the old dairy site.

Montana's investment of \$125,000 to the commercial printing company will be recovered in a less than 2 years once all the new staff is hired.

	Year 1	Year 2	Year 3
Assistance	(\$125,000)		
Construction		\$112,270	
Operation			
- Income tax			\$87,895



Representative Jones:

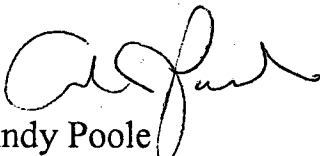
You had asked me what the administrative costs were for the Big Sky Economic Development Trust Fund and the Primary Sector Workforce Training Program were. The following information is intended to respond to that request. Please let me know if you need any additional information.

**Big Sky Economic Development Trust Fund:**

Estimated interest available for grants/Administration (FY07):	\$1,581,000
Estimated administrative costs for the program FY07:	\$88,000

**Primary Sector Workforce Training Grant Program:**

General Fund available for FY07:	\$1,400,000
Estimated administrative expenses FY2007:	\$100,000

  
Andy Poole  
January 31, 2007

Tax Amount ret	Invested Return 8%	20% Tax	Retained Earnings
\$ 3,670,000.00	\$ 293,600.00	\$ 58,720.00	\$ 234,880.00
\$ 3,904,880.00	\$ 312,390.40	\$ 62,478.08	\$ 249,912.32
\$ 4,154,792.32	\$ 332,383.39	\$ 66,476.68	\$ 265,906.71
\$ 4,420,699.03	\$ 353,655.92	\$ 70,731.18	\$ 282,924.74
\$ 4,703,623.77	\$ 376,289.90	\$ 75,257.98	\$ 301,031.92
\$ 5,004,655.69	\$ 400,372.45	\$ 80,074.49	\$ 320,297.96
\$ 5,324,953.65	\$ 425,996.29	\$ 85,199.26	\$ 340,797.03
\$ 5,665,750.69	\$ 453,260.05	\$ 90,652.01	\$ 362,608.04
\$ 6,028,358.73	\$ 482,268.70	\$ 96,453.74	\$ 385,814.96
\$ 6,414,173.69	\$ 513,133.90	\$ 102,626.78	\$ 410,507.12
	\$	788,670.20	

I have cost the tax payers 1 million in taxes and I have grown the economy approximately 3 million

Invest the Taxes with leverage	Tax (assume 3% growth)	Net Taxes Pd
\$ 3,670,000.00	\$ 4,526,000.00	\$ 856,000.00
	\$ 4,661,780.00	\$ 4,661,780.00
	\$ 4,801,633.40	\$ 4,801,633.40
	\$ 4,945,682.40	\$ 4,945,682.40
	\$ 5,094,052.87	\$ 5,094,052.87
	\$ 5,246,874.46	\$ 5,246,874.46
	\$ 5,404,280.69	\$ 5,404,280.69
	\$ 5,566,409.11	\$ 5,566,409.11
	\$ 5,733,401.39	\$ 5,733,401.39
	\$ 5,905,403.43	\$ 5,905,403.43
		\$ 48,215,517.76

In my leveraged investment scenario I had an alternative source pay in 48 million in taxes in 10 years,  
This was after we subtracted the original investment.

Plus, the economy was expanded millions of dollars due to the additional payroll  
If we assume that the total taxes collected are approximately 20% of economy  
Then the economy was impacted to the tune of \$ 241,077,588.82

So, by not having the vision to invest, I help create approximately a 3 million dollar growth and  
cost the original taxpayer 1 million dollars more in taxes over 10 years.

By investing, I come up with ~~48 million~~ in new tax dollars and I grow the economy 240 million dollars

As a fiscal conservative, I can't understand why all you "liberals" won't invest.

Amazing what a little leverage does